

## 1 Introduction

The Japanese software industry has shown remarkable growth in recent years. For example, from 1987 to 1988, it grew by almost 62 per cent. In 1988, the market value of software sales reached ¥1.799 trillion, almost six times its 1982 market value. In terms of growth rates, the Japanese software industry has out-performed the growth rate of the Japanese economy since 1982.

Supported by public and private investment in information systems development and construction, the Japanese software industry expects continued strong growth. Annual sales of the information service industry, which includes the software industry, were ¥3 297 billion in 1988. In 1990, industry sales are likely to reach ¥5 trillion.

Rapid growth causes some problems. A complicated industry structure has developed under the influence of the main hardware manufacturers. This has hindered the productivity of small and medium sized software developers, who receive most of their orders on a subcontract basis from computer manufacturers or large software houses.<sup>1</sup> Another problem is the inability of the software

industry to keep up with the demand for software due to a lack of software engineers. Also, an immature general-purpose software products market hampers the distribution of packaged products.

Nevertheless, the Japanese software industry offers many opportunities. This industry is being restructured to meet the needs of a multi-vendor computer system environment. It welcomes unique and creative products from domestic and foreign software developers.

This study is intended to inform Canadian software developers of the opportunities in the Japanese software industry.

## 2 Industry Overview

### High Market Growth

In 1988, annual sales of the Japanese software industry reached ¥1.799 trillion, representing a 62 per cent sales growth over the previous year. Market size in 1988 had increased six-fold since 1982. This growth has not been seen in any other sector.

TABLE 1

Market Growth of the Japanese Software Industry – 1982 to 1988

Year	Sales Value (¥ billion)	Growth Rate (%)
1982	300.1	31.6
1983	364.3	21.5
1984	511.4	40.3
1985	658.0	28.4
1986	912.7	38.7
1987	1 104.5	21.0
1988	1 799.1	62.9

Source: MITI's "Survey on the Special Service Industry."